

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail International Regional Rate Boxes Contracts
Negotiated Service Agreements

Docket No. MC2015-31

Competitive Product Prices
Priority Mail International Regional Rate Boxes Contracts (MC2015-31)
Negotiated Service Agreement

Docket No. CP2015-40

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL INTERNATIONAL REGIONAL RATE BOXES CONTRACT 1
TO COMPETITIVE PRODUCT LIST

(February 19, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2349.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Priority Mail International Regional Rate Boxes Contract 1 (PMI RRB) to the competitive product list Request.² The Postal Service's Request includes a Statement of Supporting Justification, certification of compliance with 39 U.S.C. § 3633(a), and copy of Governors' Decision No. 11-6. The Postal Service also filed (under seal) a contract related to the proposed new product, and supporting financial data.

According to the Postal Service, PMI RRB Contract 1 is a product that "does not qualify as market dominant" within the meaning of 39 U.S.C. § 3642(b)(1). *Request at 5.* In addition, the Postal Service maintains (1) that the prices and classification underlying

¹ Notice and Order Concerning the Addition of Priority Mail International Regional Rate Boxes Contract 1 to the Competitive Product List, February 9, 2015.

² Request of the United States Postal Service to Add Priority Mail International Regional Rate Boxes Contract 1 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data. Issued February 4, 2015 (Request).

the contract are authorized by Governors' Decision No. 11-6³, (2) the Qualifying Mail in PMI RRB contracts are intended for the conveyance of merchandise, which falls outside the scope of the Private Express Statutes. *Id.*

Priority Mail International Regional Rate Boxes contracts provide prices to mailers for certain destinations. *Attachment 3*. In general, the preparations for PMI RRB contracts are the same with the following exceptions to the mailer or mail preparation: (1) mailer is required to use PC Postage from an authorized PC Postage vendor, (2) mailer may be required to prepare specific shipments according to country specific requirements, (3) mailer may be required to tender shipments through limited acceptance channels, and (4) preparation requirements must use a Priority Mail Regional Rate Box A, B, or C with specified markings. *Id.*

The contract is expected to remain in effect for a period of one year from the effective date or the last day of the month which falls one calendar year from the effective date, whichever is later, unless several other aspects to amend the contract are satisfied. *Attachment 4 at 3*.

COMMENTS

The Public Representative has reviewed the contract, the Statement of Supporting Justification, copy of the Governors' Decision authorizing the product, proposed changes to the Mail Classification Schedule, certificate of compliance with 39 U.S.C. 3633(a), and non-public financial data accompanying the request. The Public Representative concludes that PMI RRB Contract 1 should be categorized as a competitive product and added to the competitive product list. In addition, based on the financial workpapers filed by the Postal Service, it appears that the contract is expected to generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Commission is required to consider whether "the Postal Service exercises sufficient market power that

³ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, March 22, 2011 (Governors' Decision No. 11-6).

it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service asserts that the contract is competitive and constrained by the existing market. *Request, Attachment 1.*

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s rates for competitive products must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. These assertions appear reasonable and comport with the Postal Service’s justification to add PMI RRB Contract 1 to the competitive product list. Also, based upon a review of the financial model filed under seal with the Postal Service’s Request, the negotiated prices in the instant contract should generate sufficient revenues to cover costs.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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